

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Review of Commission's
Price Cap Rules

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Docket No. RM2013-2

**VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
RESPONSE TO LATE-FILED
POSTAL SERVICE REPLY COMMENTS
(June 4, 2013)**

On June 3, 2013, the Postal Service filed Reply Comments out of time. Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. ("Valpak") jointly submit the following brief response to those Reply Comments.

The Postal Service's Reply Comments state that, in all cases before Docket No. R2013-1 where promotional rates were not banked, it "was the Postal Service's discretionary decision not to seek rate adjustment authority in the prior promotions, rather than any analytical choice made by the Commission." *Id.*, p. 2.

In Docket No. R2011-1, the Postal Service noticed two incentives¹ for which it requested an increase in unused pricing authority: "the price changes increase the banked amount for each class of mail, and thus comply with the overall price adjustment authority available to the Postal Service." Docket No. R2011-1, Postal Service Notice, p. 8.

In Order No. 606, the Commission rejected the Postal Service's request:

The Commission considers the treatment that was applied to previous incentives to be appropriate. [A]llowing the Postal Service to bank rate adjustment authority would unduly penalize other mailers that do not qualify.

¹ Reply Rides Free and the Saturation and High Density Incentive.

The requirement that a mailer's volume exceed the prior year's level introduces the problematic concept of assuming a changing basket of goods for the index used to measure the percentage change in rates....

Mailers that are not eligible to participate should not have negative consequences resulting from the incentive. Moreover, increasing unused rate authority could encourage the Postal Service to offer incentives that are otherwise unlikely to improve its financial condition....

For the reasons discussed above, it is appropriate to treat the incentive program in the manner of negotiated service agreement volumes under rule 3010.24(a), thereby excluding the effect of the incentives in the program from the percentage change in rates used to compute unused rate adjustment authority. [Docket No. R2011-1, Order No. 606, pp. 18-19.]

Therefore, the Postal Service did not make a "discretionary decision" not to include the incentives in Docket No. R2011-1 in the unused rate adjustment authority, rather the Commission made an "analytical choice" to reject the Postal Service's request.

Respectfully submitted,

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